

**LINKING FAMILIES  
AND COMMUNITIES**

**FINANCIAL REPORT**

**June 30, 2014**

## **C O N T E N T S**

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**SCHNURR & COMPANY, LLP**  
Certified Public Accountants and Consultants

**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
Linking Families and Communities  
Fort Dodge, Iowa

**Report on the Financial Statements**

We have audited the accompanying financial statements of Linking Families and Communities, which comprise the statement of financial position as of June 30, 2014 and 2013, the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Linking Families and Communities as of June 30, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Schnarr & Company, LLP*

Fort Dodge, Iowa  
February 23, 2015

## LINKING FAMILIES AND COMMUNITIES

### STATEMENTS OF FINANCIAL POSITION

June 30, 2014 and 2013

	2014	2013
<b>ASSETS</b>		
Current Assets:		
Cash	\$ 416,802	\$ 383,974
Certificate of deposit	170,302	166,369
Accounts receivable	19,813	120
Accrued interest	1,678	1,638
Prepaid insurance	3,131	9,609
	<u>611,726</u>	<u>561,710</u>
Fixed Assets:		
Furniture, fixtures and equipment	18,093	18,093
Less: accumulated depreciation	17,397	16,131
	<u>696</u>	<u>1,962</u>
<b>Total assets</b>	<u><u>\$ 612,422</u></u>	<u><u>\$ 563,672</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities:		
Accounts payable	\$ 27,552	\$ 30,146
Payroll taxes payable	2,309	2,218
IPERS payable	1,344	1,267
Deferred revenue	77,926	59,552
Cafeteria plan withholding payable	2,730	1,625
<b>Total liabilities</b>	<u>111,861</u>	<u>94,808</u>
Net Assets:		
Unrestricted net assets	<u>500,561</u>	<u>468,864</u>
<b>Total liabilities and net assets</b>	<u><u>\$ 612,422</u></u>	<u><u>\$ 563,672</u></u>

See accompanying Notes to Financial Statements.

# LINKING FAMILIES AND COMMUNITIES

## STATEMENTS OF ACTIVITIES

Years Ended June 30, 2014 and 2013

	2014	2013
Income:		
Individualized service revenue	\$ -	\$ 6,751
Agency contracts	20,076	14,332
Grants	587,855	660,995
Government contracts	86,969	67,434
Program service fees	-	1,050
Miscellaneous revenue	1,171	420
Registrations and sponsorships	29,025	-
Interest income	4,447	4,348
<b>Total income</b>	<b>729,543</b>	<b>755,330</b>
Operating Expenses:		
Accounting and legal	10,039	10,466
Advertising	23,582	24,663
Bank charges	17	57
Board meeting expense	286	407
CCNC Webster	32,229	25,400
Child care consultant	66,382	57,122
Contract, program-related expense	2,850	19,384
Dental screening	2,590	2,910
Depreciation allowances	1,265	1,591
Dues and subscriptions	1,105	485
Family foundations	220,000	219,944
Healthy Children and Families	-	12,709
Insurance, other	6,062	5,614
Insurance, health	43,571	51,273
IPERS	10,482	11,138
Juvenile Court Services professional development	27,217	16,484
Kidzmania event	6,672	-
Meals and entertainment	86	76
Office expense	8,775	7,803
Parent partner	-	9,381
Positive Solutions for Families	3,927	5,470
Professional development	2,758	1,464
Rent	8,400	8,400
Salaries	117,380	128,461
Shipping and postage	148	-
Supplies, operating	945	1,697

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## LINKING FAMILIES AND COMMUNITIES

### STATEMENTS OF ACTIVITIES (CONTINUED)

Years Ended June 30, 2014 and 2013

	2014	2013
Operating Expenses (Continued):		
Taxes, payroll	\$ 8,547	\$ 9,487
Telephone	2,571	3,452
Travel and lodging	2,560	2,240
Tuition	86,455	82,061
Utilities	945	900
<b>Total operating expenses</b>	<b>697,846</b>	<b>720,539</b>
<b>Increase in net assets</b>	<b>31,697</b>	<b>34,791</b>
Net assets, beginning of the year	<b>468,864</b>	<b>434,073</b>
Net assets, end of the year	<b>\$ 500,561</b>	<b>\$ 468,864</b>

See accompanying Notes to Financial Statements.

## LINKING FAMILIES AND COMMUNITIES

### STATEMENTS OF CASH FLOWS Years Ended June 30, 2014 and 2013

	2014	2013
Cash Flows from Operating Activities:		
Increase in net assets	\$ 31,697	\$ 34,791
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	1,266	1,591
(Increase) decrease in operating assets:		
Accounts receivable	(19,693)	(120)
Accrued interest receivable	(40)	(27)
Prepaid expenses	6,478	698
Increase (decrease) in operating liabilities:		
Accounts payable	(2,594)	(25,254)
Deferred revenue	18,374	(8,546)
Accrued payroll taxes	91	(499)
Accrued employee benefits	1,182	1,331
<b>Net cash provided by operating activities</b>	<b>36,761</b>	<b>3,965</b>
Cash Flows from Investing Activities:		
Additional investment in certificate of deposit	(3,933)	(3,852)
<b>Net cash (used in) investing activities</b>	<b>(3,933)</b>	<b>(3,852)</b>
<b>Net increase in cash</b>	<b>32,828</b>	<b>113</b>
Cash:		
Beginning	383,974	383,861
Ending	<u>\$ 416,802</u>	<u>\$ 383,974</u>

See accompanying Notes to Financial Statements.



## LINKING FAMILIES AND COMMUNITIES

### Notes to Financial Statements

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#### Note 1. Nature of Activity and Significant Accounting Policies

**Nature of activity:** Linking Families and Communities (“Organization”), is a not-for-profit corporation organized under Chapter 504A of the Code of Iowa. The purpose of the Organization is to provide early intellectual stimulation of very young children, increase the basic skill levels of students entering school, increase the health status of children, reduce the incidence of child abuse and neglect, increase the access of children to an adult mentor, increase parental involvement with their children and increase the quality and accessibility of child care. The Organization serves the Community Empowerment area consisting of Calhoun, Pocahontas and Webster County. The Organization’s revenue is primarily from payments based on cost reports filed with the Iowa Department of Human Services and the Iowa Community Empowerment.

#### A summary of the Organization’s significant accounting policies follows:

Promises to give: Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Contributed services: During the years ended June 30, 2014 and 2013, the value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded. In addition, many individuals volunteer their time and perform a variety of tasks that assist the Organization; however, these donated services are not reflected in the financial statements since the services do not require specialized skills.

Use of estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenue recognition and deferred revenue: Grant revenues are recognized in income as funds are expended for the purpose designated by the related grant. Therefore, deferred revenue consists of grant funds received in fiscal years 2014 and 2013, but not yet expended.

Property and equipment: Property and equipment is accounted for on the basis of historical cost. Depreciation is computed using the straight-line basis over a 5-7 year estimated useful life.

Subsequent events: Subsequent events have been evaluated through February 23, 2015, which is the date the financial statements were available to be issued. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required.

## Notes to Financial Statements

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### Note 2. Functional Expenses

The Organization's expenses by function are as follows:

	2014	2013
Program	\$ 469,183	\$ 478,834
Management and general	227,845	241,705
Fundraising	818	-
	<u>\$ 697,846</u>	<u>\$ 720,539</u>

### Note 3. Economic Dependency

For years ended June 30, 2014 and 2013, the Organization received 95% and 98%, respectively, of its revenue from government agencies that included the Iowa Department of Health, Iowa Department of Education and Prevent Child Abuse Agency.

### Note 4. Income Tax Status

The Internal Revenue Service has issued a determination letter dated October 4, 2006, stating that Linking Families and Communities is exempt from income tax under the provisions of Section 501(c)(3) of the Internal Revenue Code.

### Note 5. Lease Commitments and Rent Expense

The Organization leases office equipment under two operating leases with Pitney Bowes and Xerox that require monthly payments of \$294 and \$102 with the leases expiring July 1, 2015, and January 1, 2018, respectively.

The following is a schedule of minimum future lease payments under these operating leases as of June 30, 2014:

Year Ended	
2015	\$ 4,752
2016	1,224
2017	1,224
2018	612
2019	-
Thereafter	-
	<u>\$ 7,812</u>

Total rent expense for the years ended June 30, 2014 and 2013 totaled \$8,400 for each year, which includes the above leases along with month-to-month office space rental.

## **Notes to Financial Statements**

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### **Note 6. Pension Plan**

The Organization pays into the Iowa Public Employees Retirement System (IPERS) and Social Security for all eligible employees. All employees, whether they are part-time or full-time, are eligible for this retirement funding. The employer portion submitted to IPERS for the year ended June 30, 2014 and 2013 totaled \$10,482 and \$11,138, respectively.

### **Note 7. Concentration of Credit Risk**

The Organization maintains its cash accounts with banks located in Iowa. The FDIC insures up to \$250,000 of the total cash balance per bank. The Organization had a cash balance on deposit with one Iowa bank at June 30, 2014 that exceeded the balance insured by the FDIC in the amount of \$340,500.

## Notes to Financial Statements

### Note 8. Early Childhood Iowa Local Area

The Organization participates in the Early Childhood Iowa Local Area, a jointly governed organization formed pursuant to the provisions of Chapter 28E of the Code of Iowa. Financial transactions of this organization are included in the Organization's financial statements as an Agency Fund because of the Organization's fiduciary relationship with the organization. The following financial data is for the year ended June 30, 2014:

	Early Childhood Iowa Local Area			
	Early Childhood Fund (Federal)	Early Childhood Fund (State)	School Ready Fund	Total
<b>Additions:</b>				
State of Iowa grants:				
Early childhood	\$ -	\$ 134,628	\$ -	\$ 134,628
Family support and parent education	-	-	247,692	247,692
Preschool support for low-income families	-	-	108,754	108,754
Quality improvement	-	-	56,050	56,050
Allocation for administration	-	7,086	13,563	20,649
Other grant programs	-	-	26,464	26,464
<b>Total State of Iowa grants</b>	-	141,714	452,523	594,237
Interest	15	60	217	292
<b>Total additions</b>	15	141,774	452,740	594,529
<b>Deductions:</b>				
Program services:				
Early childhood	12,493	117,686	-	130,179
Family support and parent education	-	-	237,926	237,926
Preschool support for low-income families	-	-	111,559	111,559
Quality improvement	-	-	56,050	56,050
Other program services	-	-	19,792	19,792
<b>Total program services</b>	12,493	117,686	425,327	555,506
Administration	-	7,086	13,563	20,649
<b>Total deductions</b>	12,493	124,772	438,890	576,155
<b>Net change</b>	(12,478)	17,002	13,850	18,374
<b>Balances, beginning of year</b>	12,478	-	47,074	59,552
<b>Balances, end of year</b>	\$ -	\$ 17,002	\$ 60,924	\$ 77,926